

Message Text

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PASS AGRICULTURE ELECTRONICALLY

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TAGS: EAGR, EEC

SUBJECT: EC MILK AND BEEF FORECASTS

REF: EC BRUSSELS 8797

1. SUMMARY: AN INTERNAL COMMISSION WORKING PAPER ESTIMATES THAT 1976 EC MILK PRODUCTION WILL BE ABOUT 1 PERCENT HIGHER THAN 1975. BEEF PRODUCTION IN 1976, ON THE OTHER HAND, IS NOW EXPECTED TO BE MORE THAN 2 PERCENT LOWER THAN LAST YEAR, AS A RESULT OF THE DROUGHT, MILK PRODUCTION IS EXPECTED TO BE LOWER IN 1976 AND 1977 THAN PREVIOUSLY FORECAST; BEEF PRODUCTION IS EXPECTED TO BE HIGHER IN 1976 AND LOWER IN 1977. THE DROUGHT IS NOT EXPECTED TO HAVE ANY SIGNIFICANT EFFECT IN SUBSEQUENT YEARS. THE COMMISSION'S PRODUCTION/CONSUMPTION ESTIMATES IMPLY SIGNIFICANT EC IMPORT DEFICITS IN BEEF DURING THE 1977-79 PERIOD BUT A SHARP INCREASE IN THE EXCESS OF PRODUCTION OVER CONSUMPTION IN THE MILK SECTOR. END SUMMARY.

2. WE HAVE OBTAINED ON A STRICTLY CONFIDENTIAL BASIS A COMMISSION WORKING PAPER DATED OCTOBER 8, 1976 ESTIMATING MILK AND BEEF PRODUCTION AND CONSUMPTION FOR THE PERIOD 1976 TO 1980. THE LIMITED OFFICIAL USE

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PAPER ALSO DISCUSSES THE EFFECT OF THE DROUGHT ON EC PRODUCTION. THE

PAPER WAS PREPARED FOR USE IN A RECENT MEETING OF THE DIRECTORS GENERAL OF THE AGRICULTURAL MINISTRIES OF THE MEMBER STATES. SUCH MEETINGS ARE NOW HELD PERIODICALLY. A COMMISSION OFFICIAL TELLS US THAT THE DIRECTORS GENERAL WERE BASICALLY IN ACCORD WITH THE COMMISSION'S ESTIMATES. THE ESTIMATES OF DAIRY PRODUCTION AND HERD SIZE ASSUME NO CHANGE IN CURRENT EC DAIRY POLICY.

3. CATTLE NUMBERS. THE PAPER ESTIMATES THE DEVELOPMENT OF EC CATTLE NUMBERS AS FOLLOWS:

	TOTAL CATTLE (MILLION HEAD)	MILK COWS
JANUARY 1, 1975	79.3	25.2
JANUARY 1, 1976	77.5	24.8
JANUARY 1, 1977	76.4	24.7
JANUARY 1, 1978	77.5	25.2
JANUARY 1, 1979	78.3	25.6
JANUARY 1, 1980	78.3	25.6

THE COMMISSION NOTES THAT SINCE JULY SLAUGHTERING OF COWS HAS INCREASED SHARPLY; HOWEVER, SLAUGHTERING WAS DOWN ABOUT 14 PERCENT IN THE FIRST 5 MONTHS OF 1976. CONSEQUENTLY, DAIRY COW NUMBERS ARE EXPECTED TO BE ONLY SLIGHTLY BELOW THE LEVEL OF A YEAR AGO AT THE START OF 1977-UNCHANGED FROM THE PREDROUGHT ESTIMATE. WITH REGARD TO TOTAL CATTLE, THE ESTIMATE FOR JANUARY 1, 1977, IS ABOUT 500,000 HEAD LOWER THAN FORESEEN BEFORE THE DROUGHT. NOTE THAT AN INCREASE OF ABOUT 1.1 MILLION HEAD IS FORESEEN DURING 1977-WITH NEARLY A 500,000 HEAD INCREASE IN DAIRY COWS.

4. MILK PRODUCTION AND CONSUMPTION. EC ESTIMATES OF MILK PRODUCTION AND THE MILK EQUIVALENT OF HUMAN CONSUMPTION OF MILK AND MILK PRODUCTS IN THE EC THROUGH 1980 ARE SHOWN BELOW:

	PRODUCTION (MILLION TONS)	HUMAN CONSUMPTION
1975	91.7	85.5
1976	92.5	83.8
1977	94.1	81.9
1978	97.95	79.7

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1979	99.25	78.3
1980	99.1	77.7

THE COMMISSION ANTICIPATES THAT 1976 MILK PRODUCTION WILL NOW BE 0.9 PERCENT ABOVE 1975--2 PERCENT LOWER THAN THE PRE-DROUGHT ESTIMATE. THE 1977 PRODUCTION ESTIMATE IS 1 PERCENT LOWER THAN THE PREDROUGHT ESTIMATE. DESPITE THE DROUGHT, 1976 MILK YIELDS PER COW ARE STILL ESTIMATED TO BE 2.7 PERCENT

HIGHER THAN 1975--BUT 1 PERCENT BELOW PREVIOUS ESTIMATES. THE NEW ESTIMATE OF AVERAGE 1977 YIELDS IS 1 PERCENT BELOW THE PREVIOUS ESTIMATE. RE CONSUMPTION, THE DOCUMENT NOTES THAT AS A RESULT OF HOT WEATHER TOTAL MILK AND MILK PRODUCTS CONSUMPTION IS EXPECTED TO BE 1 PERCENT HIGHER THAN ORIGINALLY ANTICIPATED IN 1976 (BUT STILL 2 PERCENT BELOW 1975). THE COMMISSION EXPECTS STEADY AND SUBSTANTIAL DECLINES IN BUTTER AND FRESH MILK PRODUCT CONSUMPTION. AMONG MAJOR PRODUCT GROUPS, SIGNIFICANT CONSUMPTION INCREASES ARE ANTICIPATED ONLY FOR CHEESE.

5.

BEEF:	PRODUCTION	CONSUMPTION
1975	6,583	6,530
1976	6,424	6,480
1977	6,040	6,480
1978	6,100	6,500
1979	6,400	6,650
1980	6,900	6,900

THE ESTIMATES FOR 1976 AND 1977 ARE 113,000 TONS AND 85,000 TONS LOWER, RESPECTIVELY, THAN PREDROUGHT ESTIMATES. THE EFFECT OF THE DROUGHT ON SUBSEQUENT YEARS IS SEEN AS NEGLIGIBLE. THE DECLINE IN ESTIMATED 1977 AND 1978 PRODUCTION IS DUE TO AN ANTICIPATED BUILDING UP OF EC HERDS WHICH WILL, IN TURN, LEAD TO AN UPSURGE IN PRODUCTION IN 1979 AND 1980. ESTIMATES OF BEEF CONSUMPTION HAVE HAD TO BE REVISED DOWNWARD DUE BOTH TO THE UNFAVORABLE ECONOMIC SITUATION AND TO LOWER THAN EXPECTED POPULATION GROWTH RATES. CONSUMPTION IS EXPECTED TO REMAIN VIRTUALLY STABLE UNTIL THE END OF THE DECADE.

6. THE COMMISSION PAPER DOES NOT DISCUSS THE IMPLICATIONS OF THESE ESTIMATES RE THE DAIRY SURPLUS SITUATION OR BEEF IMPORTS. LIMITED OFFICIAL USE

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HOWEVER, THE COMMISSION ESTIMATES WOULD MEAN A SUBSTANTIAL BEEF IMPORT DEFICIT IN 1977, 1978 AND, TO A LESSER EXTENT, 1979 AND, ON THE OTHER HAND, A MARKED WORSENING OF THE DAIRY SURPLUS SITUATION, AS SHOWN BELOW:

COLUMN A	COLUMN B
IMPLIED BEEF DEFICIT	MILK PRODUCTION AS A PERCENT

-

	AGE OF HUMAN CONSUMPTION	
	(53) SURPLUS	107
1975		
1976	56	110
1977	440	115
1978	400	123
1979	250	127
1980	0	128

THE FIGURES IN COLUMN B DO NOT, COURSE, TAKE INTO ACCOUNT
THE USE OF DIRY PRODUCTS IN ANIMAL FEEDS; THUS, THEY DO NOT
REALLY REPRESENT THE SURPLUS OF PRODUCTION OVER SONCUSMPTION.
HOWEVER, FEED USE OF MILK AND DIARY PRODUCTS HAS EXPERIENCED
A LONG-TERM DECLINE AND NEARLY ALL SUCH FEEDING IS EC-SUBSIDIZED.
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